



**DATE:** July 8, 2010

**TO:** Thomas J. Bonfield, City Manager

**THROUGH:** Wanda S. Page, Deputy City Manager

**FROM:** David Boyd, Finance Director  
Keith R. Herrmann, Deputy Finance Director  
Claiburn B. "Butch" Watson, Treasury Manager

**SUBJECT:** 2010 General Obligation Bond Referendum

### **EXECUTIVE SUMMARY**

At the June 10, 2010 City Council meeting staff was directed to bring forward the actions necessary to place a \$20 million General Obligation (GO) Bond referendum on the November ballot, the proceeds of which would be allocated to street resurfacing. The actions included herein: conduct of a public hearing on the proposed Bond Order, adoption of the Bond Order and adoption of a resolution setting a special bond referendum are the last of three steps required to do so.

Subsequent to these actions, staff will deliver a certified copy of the approved resolution to the Durham County Board of Elections in order for the referendum question to be included on the November ballot.

### **RECOMMENDATION**

The Finance Department recommends that City Council conduct a public hearing on the proposed Bond Order authorizing the issuance of \$20,000,000 General Obligation Street Bonds and, at the conclusion of the public hearing, adopt the Bond Order and a resolution setting a special bond referendum and directing the publication of notice regarding the referendum.

### **BACKGROUND**

In the State of North Carolina public approval via voter referendum is required for the City to issue GO Bonds. The referendum will ask voters to approve a bond order that authorizes the issuance of the bonds for a specific purpose – in this case, road resurfacing. If the referendum passes, the City will have the authority to issue debt in accordance with the bond order for a period of seven years.

The City last issued GO Bonds for street resurfacing in 2007. The \$20 million issuance included \$15 million for road resurfacing which was to take place over a three year period ending in 2010. To date all but \$690,000 of that \$15 million is either spent or under contract.

At its June 21, 2010 meeting the City Council adopted the following resolutions:

- Resolution directing the publication of notice of intention to apply to the LGC for approval of bonds.
- Resolution authorizing the Finance Director to apply to the LGC for approval of the City's proposed GO bond financing.
- Resolution making certain statements of fact concerning the proposed bond issue.

At its July 8, 2010 meeting the City Council introduced the Bond Order and adopted a resolution calling for a public hearing on the Bond Order to be held on July 22, 2010.

### **ISSUES/ANALYSIS**

In evaluating the effect of any new debt service related to the new bonds, it is estimated that a tax of 0.76 cents per \$100 of assessed value would be sufficient to support the first full year of debt service on a \$20 million 20 year issuance and that the required tax would decrease in each subsequent year. Additionally, the new debt would maintain the City's capacity to fund future planned capital projects as the sizing of this new issue would keep the City's debt to appropriation ratio below the 15% level that has been used as a measure of overall debt load.

<b>Year</b>	<b>Debt Service</b>	<b>Tax Required to Support Debt</b>	<b>Debt/Appr Ratio</b>	<b>Remaining Debt Capacity</b>
2012	\$1,800,000	0.76	14.27%	\$25.3 Million
2013	\$1,760,000	0.67	14.02%	\$36.2 Million
2014	\$1,720,000	0.64	13.68%	\$50.3 Million
2015	\$1,680,000	0.61	12.51%	\$99.1 Million
2016	\$1,640,000	0.58	10.30%	\$197.2 Million

Pending a successful voter referendum on the issue, the exact timing of issuing the bonds would be dependent upon the expected timing of actual resurfacing spending, overall City cash flow needs as well as coordination with other planned debt activities.

### **ALTERNATIVES**

If the City Council desires to place the referendum on the ballot in November there are no alternatives to this action.

### **FINANCIAL IMPACT**

As indicated above, a \$20 million, 20 year GO Bond issuance is estimated to result in first year annual debt service of \$1.8 million which would be paid from the City's General Fund. A tax of 0.76 cents would be required to service this new debt.

### **SDBE SUMMARY**

There are no SDBE issues with regard to this item.

**Attachments:**

- Bond Order authorizing the issuance of \$20,000,000 general obligation street bonds of the City of Durham, North Carolina
- Resolution setting a special bond referendum and directing the publication of notice of special bond referendum and notification of the Durham County Board of Elections
- Notice of Special Bond Referendum